Headquarters U.S. Air Force

Integrity - Service - Excellence

Strategic Sourcing
“Back to Basics”

Division Chief, Procurement Transformation

Air Force Contracting

4 November 05

Our Business
Dollars, People, Actions: FY04

U.S. AIR FORCE

AIR FORCE CONTRACTING • EXPEDITIONARY • AGILE • INNOVATIVE

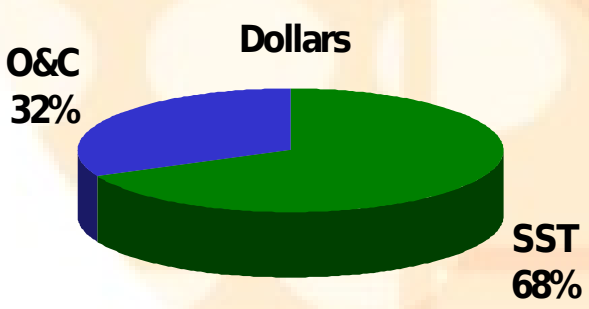
Systems, Sustainment and Technology (SST)

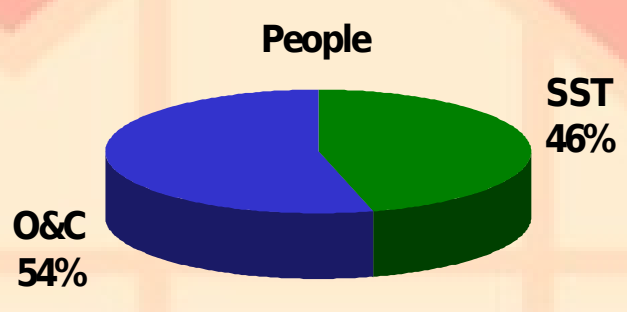
3252 People (46%)
$38B (68%)
42K actions (21%)

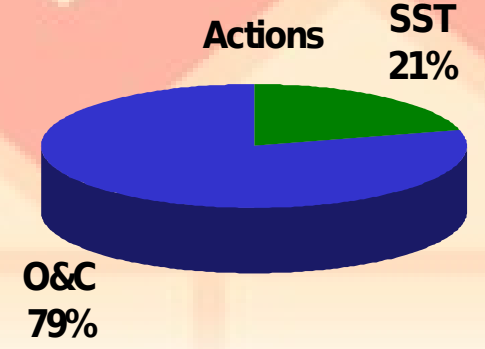
Operational and Contingency (O&C)

3846 People (54%)
$17.9B Dollars (32%)
159K actions (79%)

People	
Officer	1053
Enlisted	1305
Civilian	4740
Total	7098







Not Optimizing Our Multi-Billion Dollar Buying Power

U.S. AIR FORCE

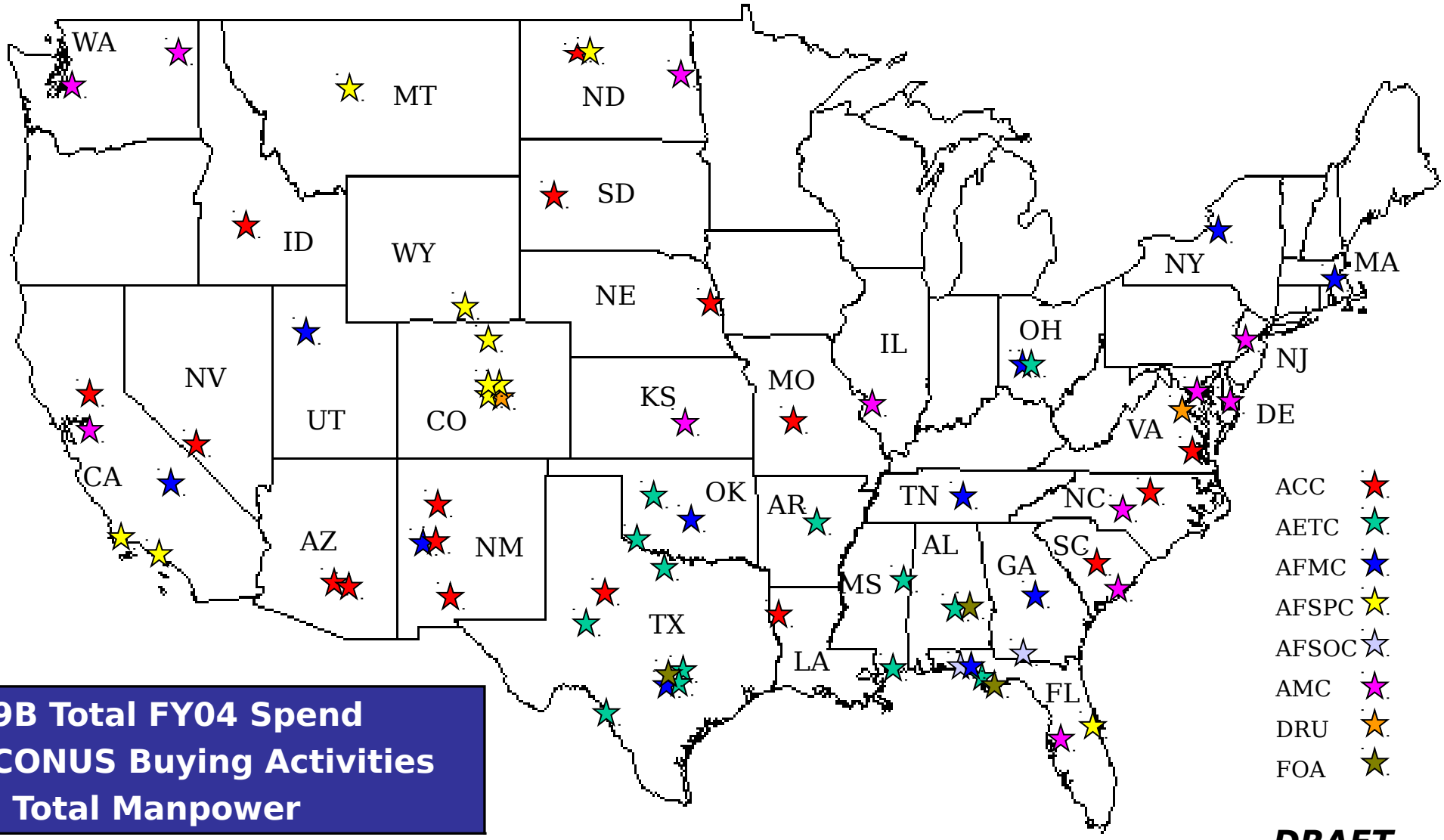
Who We Buy From		
Organizations (Top Five by Dollars)	$ Millions	Buying Organization
Lockheed Martin Corp	$12,616	100
The Boeing Company	$9,116	89
Northrop Grumman Corp	$4,908	142
United Technologies Corp	$2,085	39
Raytheon Corp	$1,605	84
NOT *BUYING* AS ONE ORGANIZATION		

What We Buy		
FSC (Top Five by # Contracts)	$ Millions	# Contracts
Maintenance / Misc Buildings	$567	688
Office Furniture	$121	492
ADP Software	$214	474
RDTE / Defense Applied Research	$400	436
Other Professional Svcs	$732	398
NOT *CONTRACTING* AS ONE ORGANIZATION		

Source: RAND analysis of FY03 data.

U.S. AIR FORCE

AF Contracting Today



$55.9B Total FY04 Spend
104 CONUS Buying Activities
7098 Total Manpower

DRAFT

Strategic Sourcing Evolution

U.S. AIR FORCE

Accomplishments to Date:

1. Commodity Councils
2. Centralized Market Research
3. Strategic Supplier Management

May 05 OMB Mandate

Thru Jan 05 Remaining 7 Commodity Councils stood up

May 04 3 Sustainment Commodity Councils stood up

Jul 03 1st Commodity Council stood up (ITCC)

Jun 03 Developed strategic sourcing process

Aug 02 Spend Analysis Capability Need Identified

Jun 01 Strategic Sourcing Kick Off Meeting

2000 Spares Campaign

1996 Corporate Contracting Approach

Federal Mandate from OMB May 2005

May 05 Memorandum from the Office of Management and Budget (OMB):

- Each agency's Chief Acquisition Officer (CAO), Chief Financial Officer (CFO) and Chief Information Officer (CIO) are responsible for **the overall development and implementation of the agency strategic sourcing effort**.
- Beginning in January 2006, **the CAO shall report annually to the Office of Federal Procurement Policy (OFPP)** regarding, at a minimum, reductions in the prices of goods and services, reductions in the cost of doing business, improvements in performance and changes in achievement of socio-economic acquisition goals.

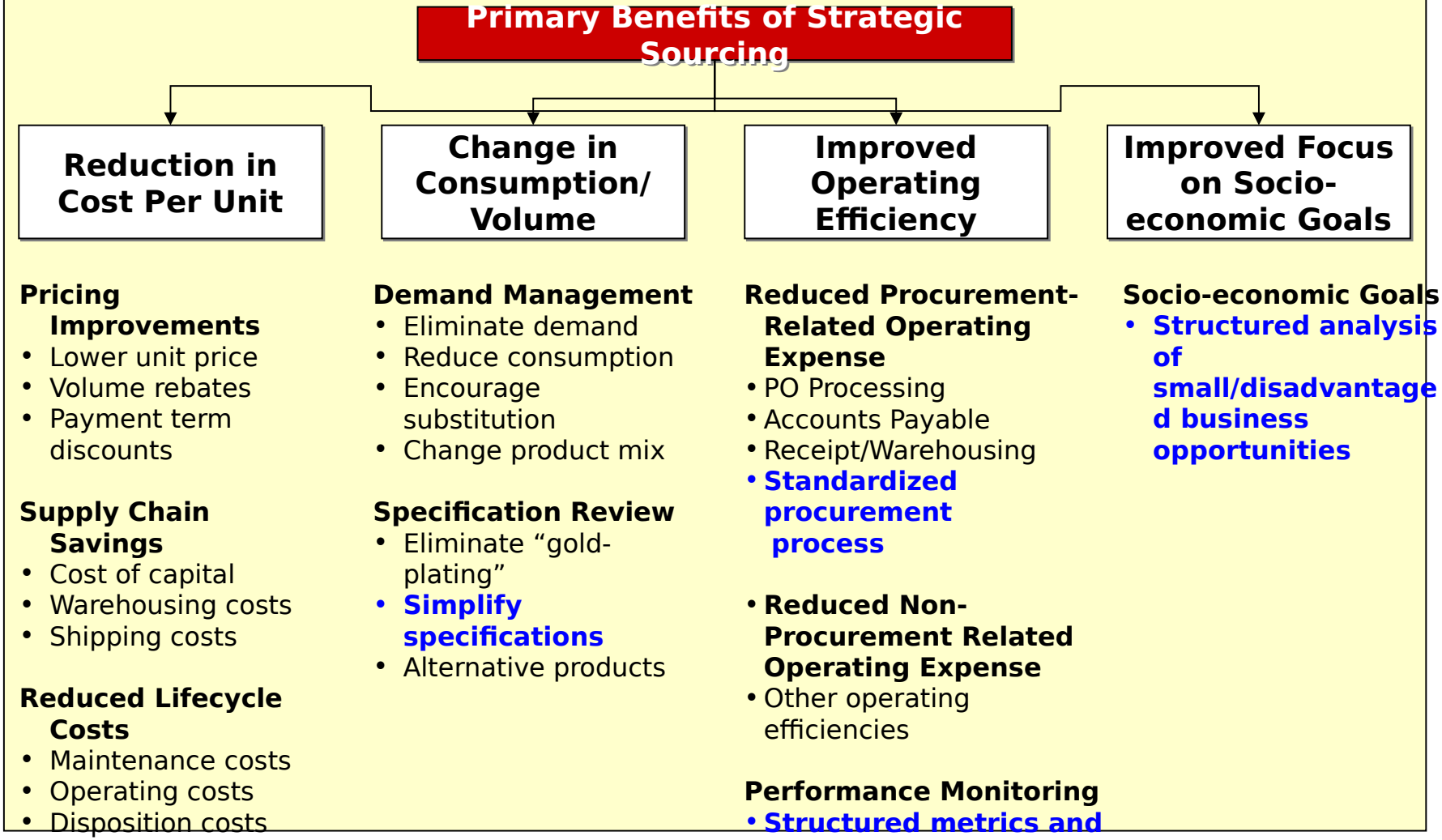
Strategic Sourcing Definition

Strategic Sourcing is the collaborative and structured process of critically analyzing an organization's spending and using this information to make business decisions about acquiring commodities and services more effectively and efficiently.

OMB Memorandum
Re: Implementing Strategic Sourcing
20 May 2005

Benefits of Strategic Sourcing: Beyond Consolidation and Leverage

U.S. AIR FORCE



Censeo Consulting Group, Inc. - Confidential; All rights reserved, 2005

Commodity Council Defined

Commodity = segmentable category of goods or services

Commodity Council = cross-functional sourcing team that develops and implements acquisition strategies for a specific good or service

Commodity Council Process = based on market research, requires forecasting and demand planning, pools procurement requirements, determines strategy to best leverage AF buying power

Commodity Council Success Factors = Executive-level endorsement, dedicated resources, well-informed and market savvy commodity experts

Commodity Council Benefits = Cost savings and/or cost avoidance, more favorable terms and conditions, standardized products and services, competition among industry partners, focused support for small business

Commodity Council Organization

U.S. AIR FORCE

Core Team

- Commodity Strategy Official
- CC Director
- Requirements Experts
- Deputy Director

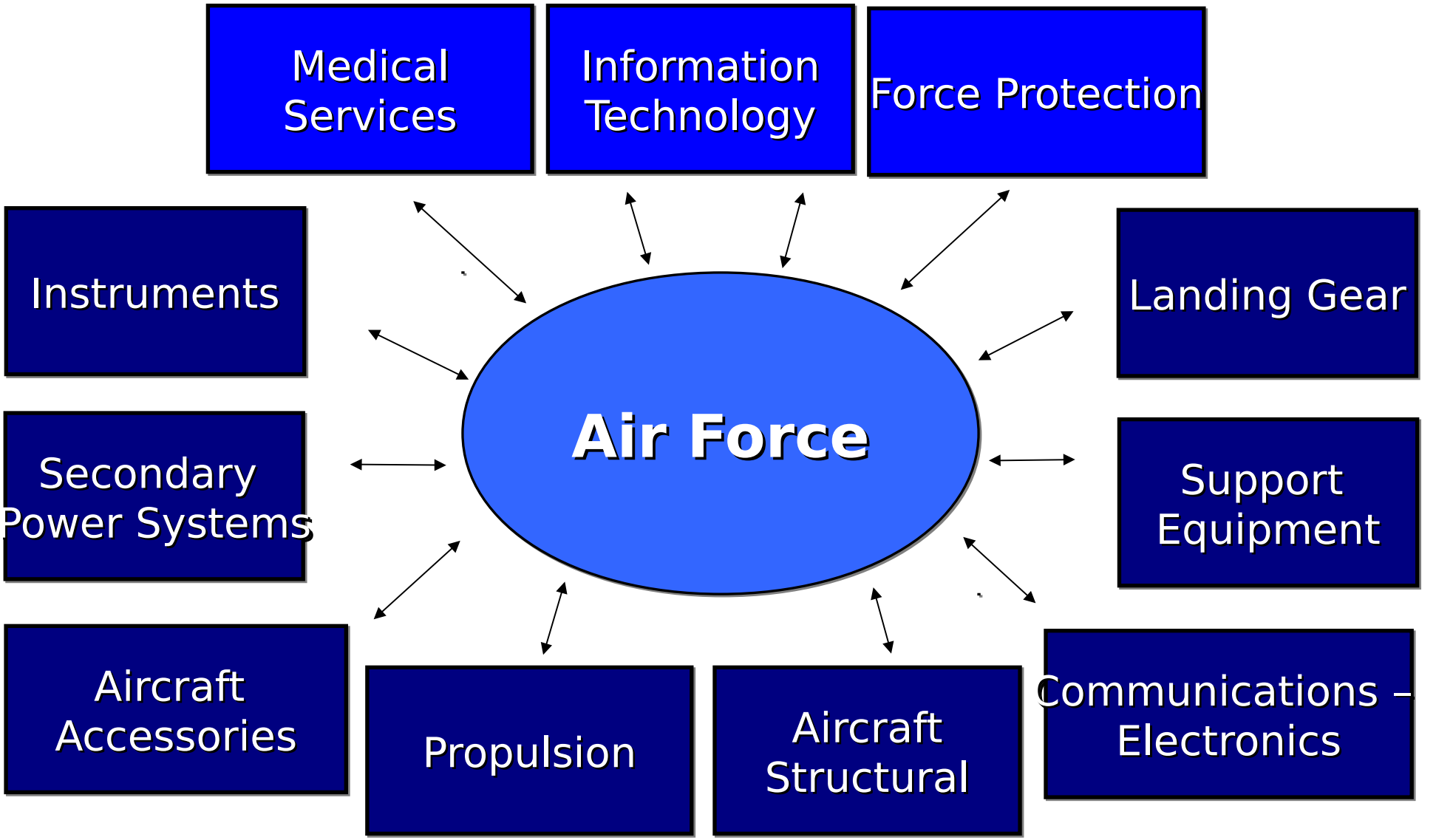
Six to nine full-time members who conduct the daily business of the council from a Center of Excellence

- Commodity Project Manager
- Business Requirements Analyst
- Commodity Expert
- Small Business Consultant
- Supply Chain/ Market Intelligence Analyst
- Procurement Analyst/ Contracting Expert

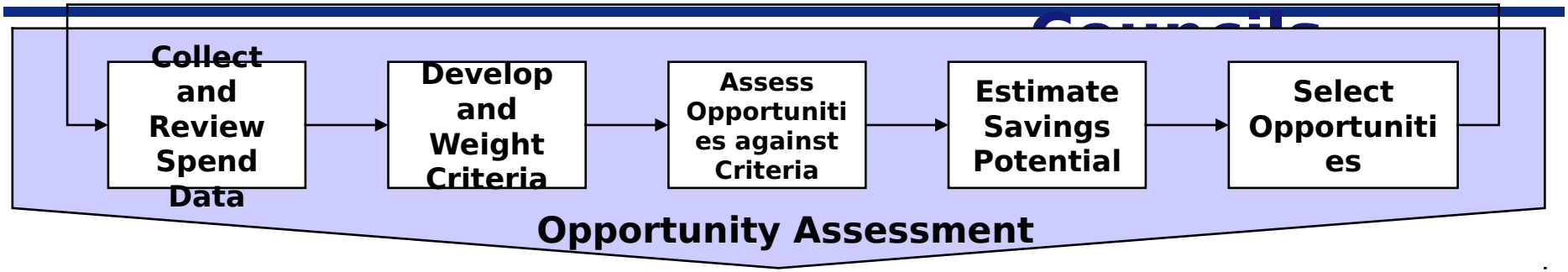
Advisors

Stakeholders

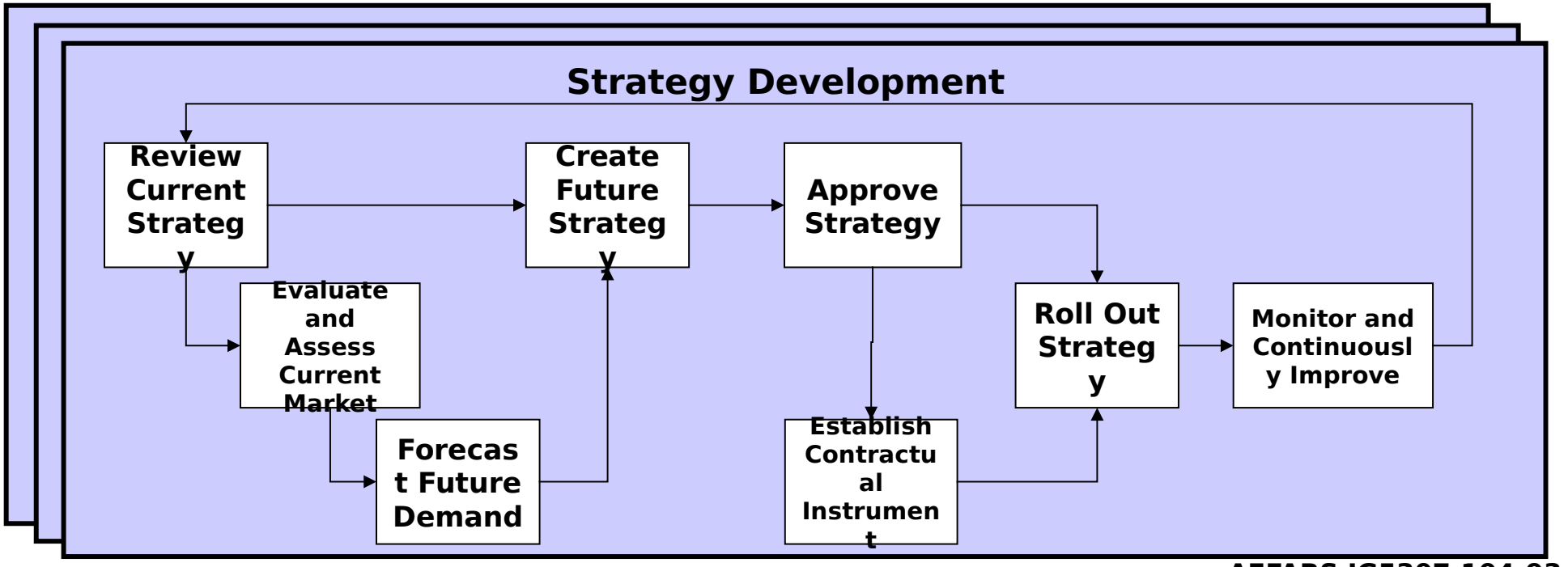
AF Commodity Councils



Strategic Sourcing Process in support of Commodity Councils



Sourcing Prioritization Decision



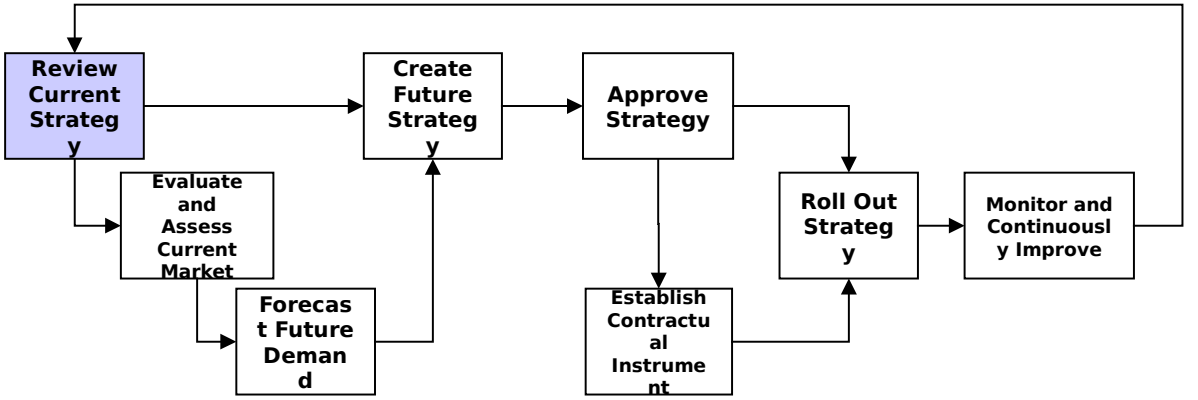
AFFARS IG5307.104-93

Bolling AFB Spend

FA7012	Bolling AFB	Professional Services	$108,650,372
		Automation/Communication	$61,968,655
		Facilities	$22,839,217
		Travel, Food, & Lodging	$1,918,357
		Engineering	$1,801,459
		Education and Training	$1,604,405
		Construction	$1,347,145
		Industrial Goods	$1,294,527
		Office Mgmt.	$867,278
		Misc. Goods	$617,248
		Distribution & Logistics	$99,074
		Fleet Operations	$47,700

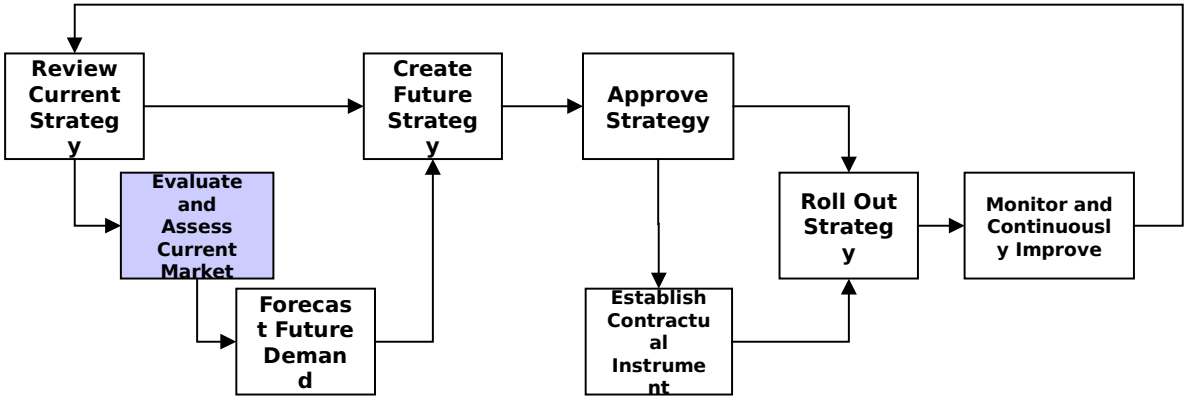
Strategic sourcing opportunities exist at all levels

1.0 - Review Current Strategy



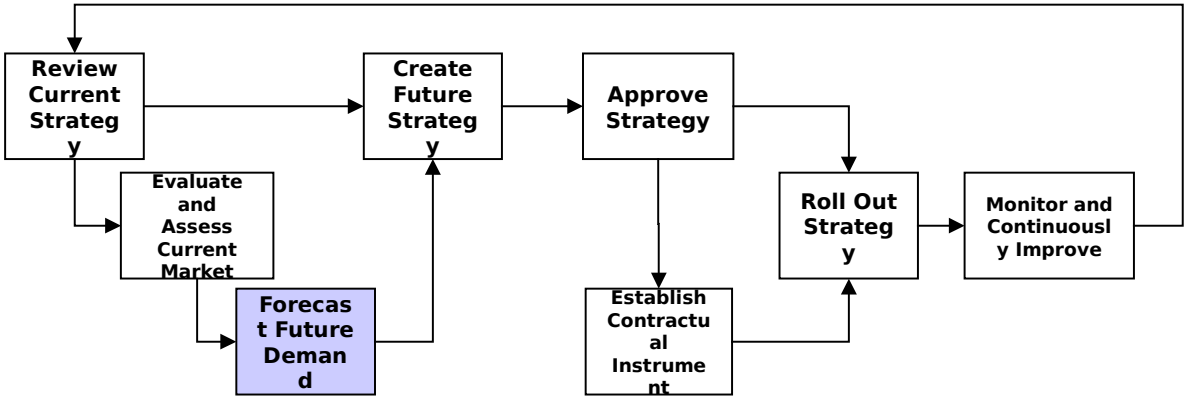
What are we buying now?
How are we buying it?
Are there any regulatory requirements?
What is current small business participation?
Who are the stakeholders, besides the requiring community?

2.0 - Evaluate / Assess Current Market



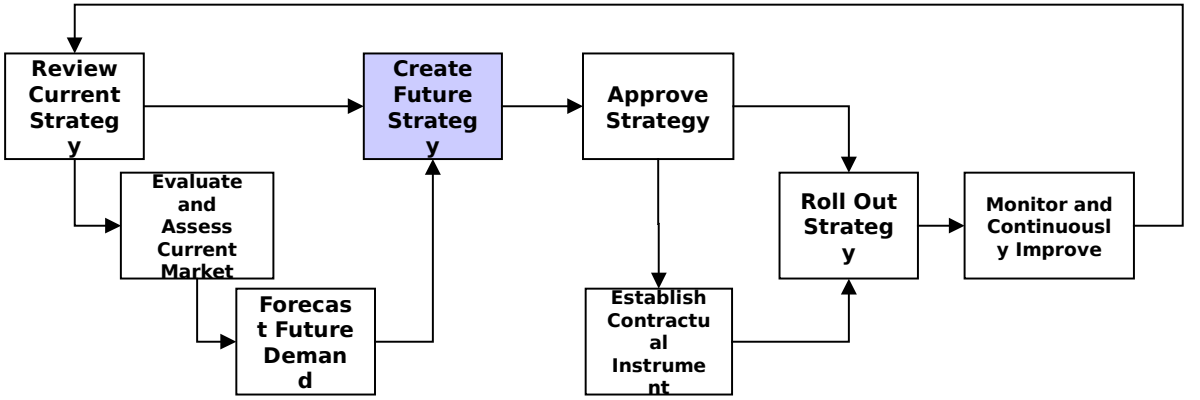
Who are our current suppliers?
Are there emerging suppliers in the marketplace?
What are supplier capacities? Commodity availability?
Do suppliers meet our socio-economic requirements?
What are the cost drivers in this market space?

3.0 - Forecast Future Demands



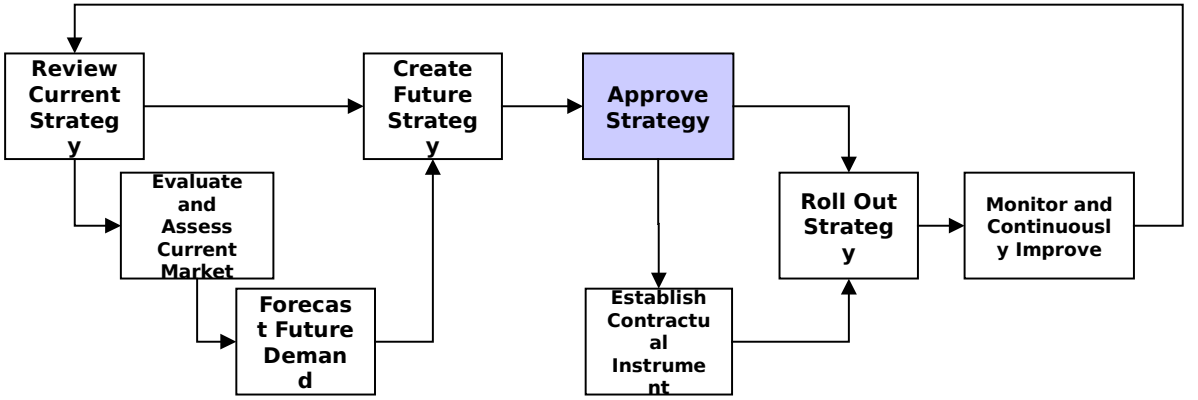
What are our future requirements for this good or service?
How far ahead can we realistically plan for our demand?
How can we fund that demand forecast?
Can we coordinate buys on a regular schedule (ie quarterly)?

4.0 - Create Future Strategy



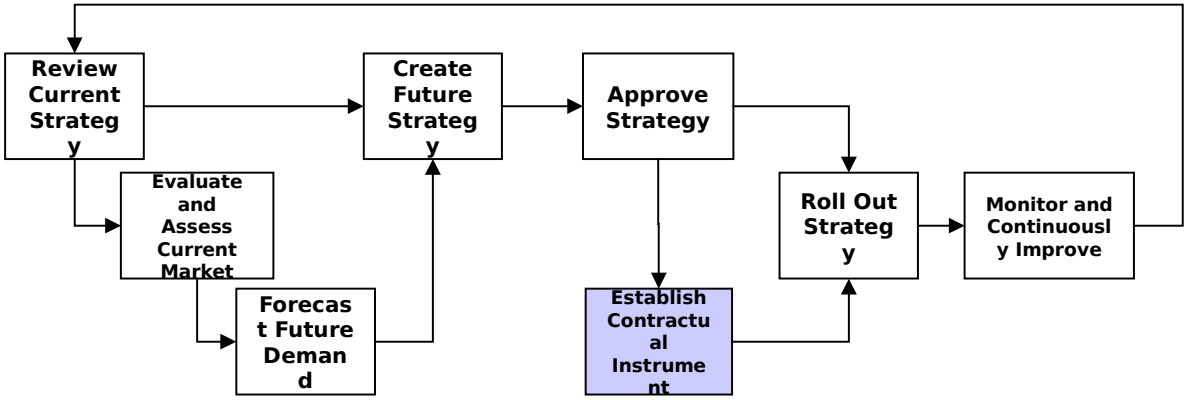
What's the best way to buy this good or service going forward?
How will we meet our socio-economic goals?
Are there existing contracts we can use?
Does a new contract vehicle need to be developed?
Are the forecasted acquisitions coordinated with supplier capability to deliver?

5.0 - Approve Strategy



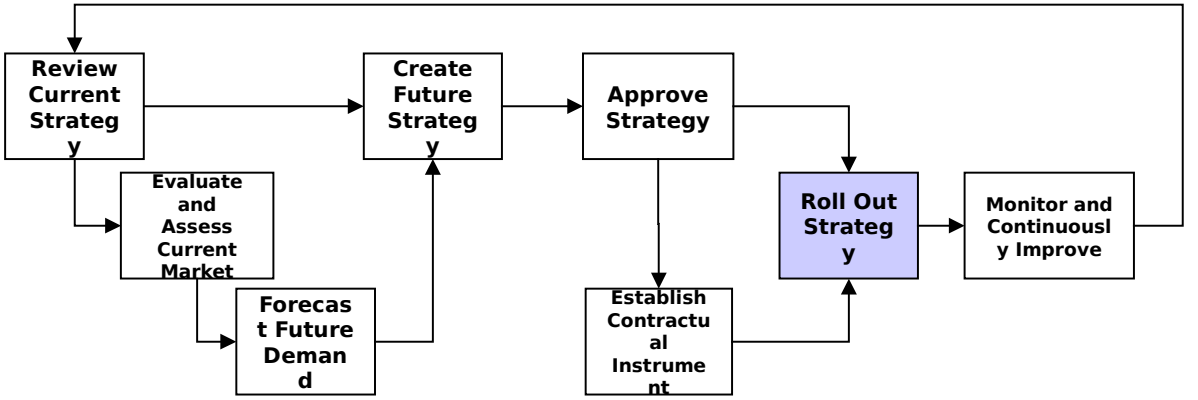
Who is the appropriate approval authority?
Who will award the contract?
Who will administer the contract?

6.0 - Establish Contractual Instruments



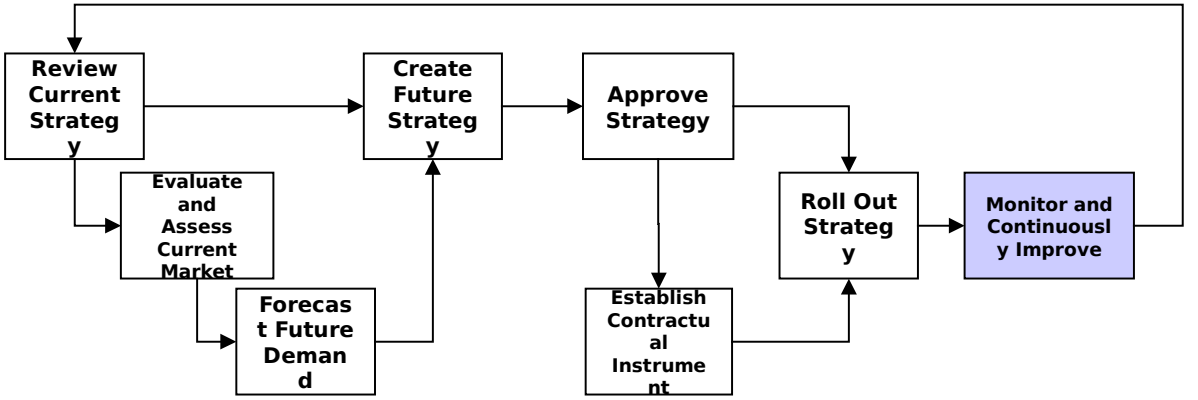
What is the best procurement method/contract type?

7.0 - Rollout Strategy



Who needs to know about the new strategy?
Do we need to transition from old contracts/suppliers?

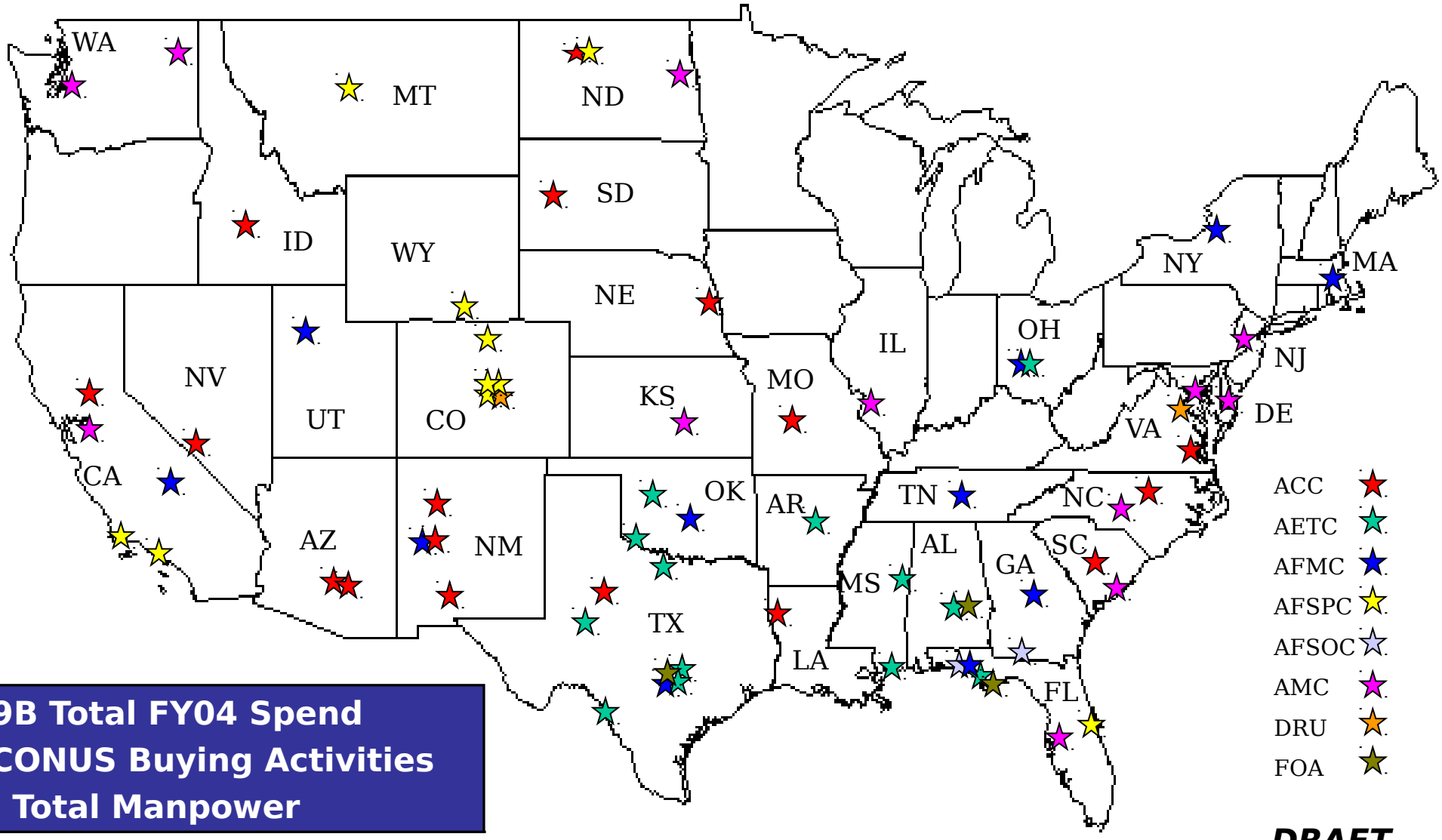
8.0 - Monitor & Continuously Improve



Have we met our original goals?
Are suppliers performing as contracted?
Does the strategy need to be revisited? When?
How much have we saved?
Are we receiving the goods/services we expected?
Are we receiving goods/services on time?

U.S. AIR FORCE

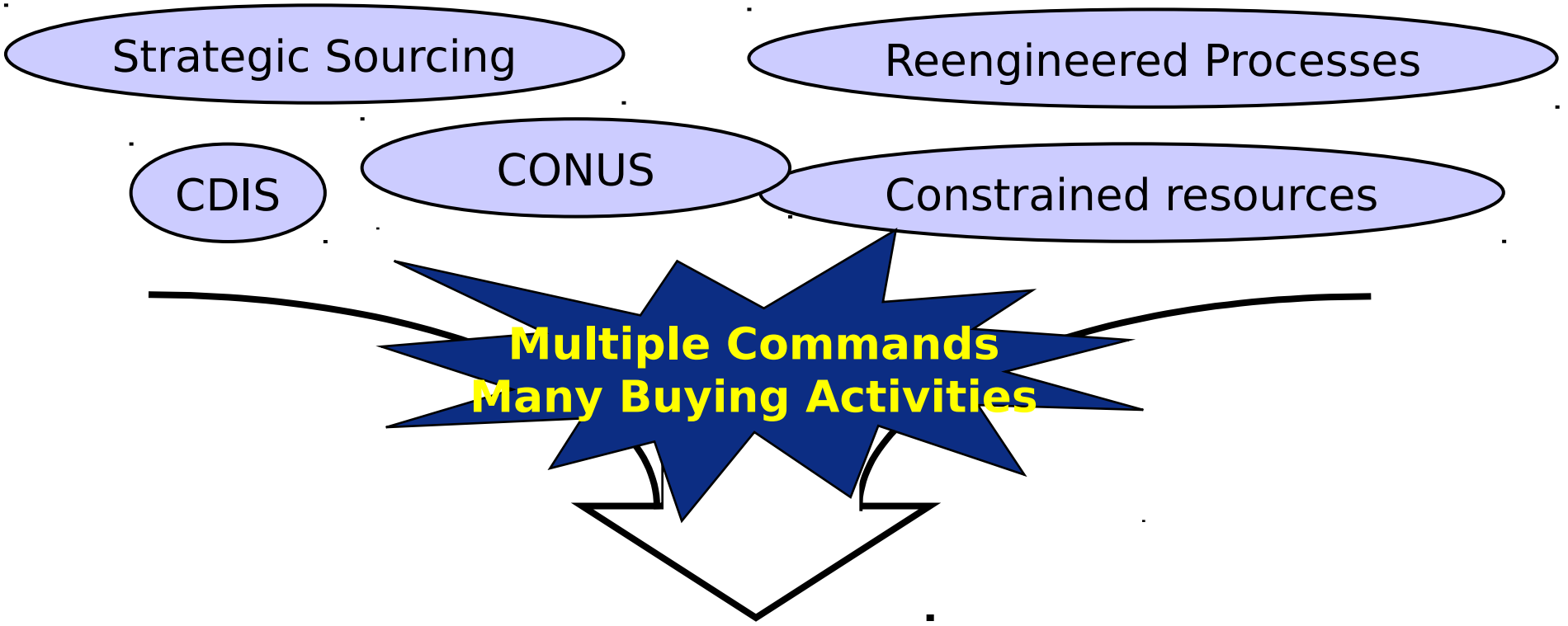
AF Contracting Today



$55.9B Total FY04 Spend
104 CONUS Buying Activities
7098 Total Manpower

DRAFT

What this means…



We must determine the best organizational alignment of Air Force installation contracting functions and activities

to achieve…

"Agile Sourcing through Innovative Strategic Solutions"

Questions?